

Grantee: State of Montana

Grant: B-11-DN-30-0001

April 1, 2011 thru June 30, 2011 Performance Report

Grant Number:

B-11-DN-30-0001

Obligation Date:**Grantee Name:**

State of Montana

Award Date:**Grant Amount:**

\$5,000,000.00

Contract End Date:

03/16/2014

Grant Status:

Active

Review by HUD:

Submitted - Await for Review

QPR Contact:

No QPR Contact Found

Disasters:**Declaration Number**

NSP

Narratives**Summary of Distribution and Uses of NSP Funds:**

Montana NSP 3 Summary and Distribution of Funds

The Montana Department of Commerce (Commerce) will be administering the Neighborhood Stabilization Program 3 (NSP3) for the State of Montana. Commerce will use NSP3 funds for the purposes set forth in the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) and the implementing Federal regulations published in Federal Register 64322, Volume 75, No. 201 (the NSP3 Notice). NSP3 funds will be used to promote and stabilize Montana neighborhoods whose viability has been damaged by the economic effects of foreclosed upon and abandoned properties. Funds will also be used to demolish blighted structures or redevelop demolished or vacant properties within areas of high need.

Sub-grantees have been awarded through a two-tiered process. The initial submission of 24 "Intent to Apply" proposed projects occurred on February 28, 2011. A second competitive phase resulted in the ranking of seven NSP3 applications requesting funding. The resulting detailed award announcements are included in this submission of the substantial amendment as of June 30, 2011.

As allowed by a December 29, 2010, NSP Policy Alert, Guidance on Mapping and Needs Data for State NSP3 Action Plans, the first-tier was an "Intent to Apply" process that allowed Commerce to gather information on potential NSP3 projects. This included intended target areas, implementation strategies, amount of leveraged funds, market analysis of preliminary activities, intended program impact, and capacity of the preliminary sub-applicants. All Intent to Apply submissions were required to include mapping of the target project areas using the HUD NSP3 mapping tool.

>The Intent to Apply submission was open to any general local government, tribal government, tribal or local housing authority, non-profit or for-profit developer, or entity that proposed to carry out project activities in an NSP3 area of greatest need. Entities that submitted an Intent to Apply form could submit a competitive application during the second-tier process. Detailed submissions from the Intent to Apply process are available at <http://comdev.mt.gov/NSP/default.mcp.x>.

The second-tier competitive application process has determined final project awards. The competitive application was due to Commerce on May 13, 2011. Seven applications were ranked in accordance with established application criteria and NSP3 statutory requirements. As part of this June 30, 2010 NSP3 substantial amendment, Commerce is announcing the awards of NSP3 funds with the identified final projects and target area mapping data. The award of funds is contingent on HUD's approval of this substantial amendment. Additionally, Commerce is committed to fully expending all NSP3 funds on or before the statutory deadline of March 2014. Therefore, Commerce reserves the right to recapture any NSP3 funds that are unused or unobligated that will not be fully expended from any NSP3 grant recipient that will not be able to meet the conditions outlined in the grant recipient's contract with Commerce. Any recaptured NSP3 funds will be used to either increase the award amount of a previously approved grant recipient and/or fully fund additional grant applications based on ranking results. The list below identifies the awarded grant recipients and the pending grant recipients (in the order listed that will receive funds only if Commerce recaptures unused or unobligated funds that will not be fully expended by March 2014.

>

>NSP3 Grant Awards

>Lake County \$601,000

>Butte Silver Bow County \$2,149,000

>Lewis and Clark County \$2,000,000

Pending NSP3 Awards

>City of Kalispell \$1,500,000

>Town of Eureka \$887,190

>Mineral County \$526,000

>Anaconda Deer Lodge County \$1,139,200

Competitive Project Selection Criteria

The six priorities described below were used to rank NSP3 competitive applications. Each criterion is designed to assure that Commerce and the awarded projects comply with the NSP3 Notice, meet applicable CDBG and NSP regulations, and give priority emphasis to areas of

greatest need. Commerce reserves the right to reject any application that does not meet the NSP3 requirements or appears infeasible. If any question or concern arose during the evaluation of the application, Commerce requested additional information from the applicant. The following ranking criteria were used to determine NSP3 grant awards:

I. Neighborhood Stabilization: (150 pts.) Subgrantees and/or subrecipients documented the problems experienced in the area or community as a result of the prolonged foreclosure crisis and abandonment of properties. The subrecipients described existing or anticipated targeted improvement efforts to:

- >• Number of homes or rental units in foreclosure;
- >• Number of homes or rental units financed by subprime mortgages;
- >• Identified area that is likely to face a significant rise in rate of home foreclosures;
- >• Provide housing opportunities for income eligible households;
- >• Prevent additional foreclosures;
- >• Encourage commercial development;
- >• Ensure consistency with local housing priorities; and,
- >• Provide employment opportunities for vicinity LMMI households or individuals.

Subrecipients described the eligible activities for which NSP3 funds will be used and how those activities will effectively address the identified problems, contribute to the stabilization of the targeted neighborhoods or blocks, and/or develop new housing opportunities in the targeted neighborhoods or blocks. Effectiveness of the activities to be undertaken may be demonstrated by describing past experiences with similar activities from NSP1, CDBG, or HOME projects (either by the subrecipient or others), the measurable outcomes, and data included in the required market analysis.

II. Recognizable Impact: (150 pts.) Areas in the State of Montana that are eligible for NSP3 funds are those areas that have received a NSP3 foreclosure need score of 10 or greater (with the greatest need being 20). In order to carry out the intent of the NSP3 program per the Dodd-Frank Act, subrecipients must discuss how project activities will address the percentage of home foreclosures, homes financed by subprime mortgage related loans, and those impacted areas that are likely to face a significant rise in the rate of home foreclosures. The grantee submitted a market analysis to demonstrate how eligible NSP3 activities would result in a long-term, recognizable, and visible impact, as defined in the NSP3 notice, HUD mapping tools, and HUD NSP3 guidance. Preference was given to those projects that demonstrated a need for long-term affordable rental units; and those subgrantees that impact 20 percent of the real estate owned (REO) units in the targeted area. This preference can be documented with projects targeting a geographic area or clientele of high need (i.e. concentrations of lower income families and substandard housing suitable for NSP funds) and that offer a reasonable potential for generating substantial recognizable impact. Commerce has awarded NSP3 funding to three rental projects, and preference was given to the rental projects to ensure that completion of the projects and long-term affordable rents could be achieved.

>All competitive applications targeted NSP3 funds to high-risk census tracts, block groups, or neighborhoods that are located within an area of greatest need; have a NSP3 need score of 10 or higher; and meet the Low, Moderate and Middle Income (LMMI) NSP National Objective. Applicants from the eligible areas will be required to utilize the HUD mapping tools and analysis and other local data (such as foreclosure filings or the number of homes in default) to define targeted areas and project activities.

>
>III. Capacity of Applicant and Program Administrators: (100 pts.) A subgrantee must demonstrate the capacity to undertake the proposed project. NSP3 applicants are required to be knowledgeable about and adhere to laws and regulations governing the CDBG and NSP programs.

>Under federal regulations and state law (Section 2-7-504, MCA), subgrantees must be able to demonstrate that their financial management system meets generally accepted accounting principles before Commerce will disburse grant funds. Commerce will consult with the Local Government Services Bureau of the Montana Department of Administration, as applicable, to determine if a local government applicant is current in completing required financial audits and submitting annual financial reports. Tribal Governments must comply with auditing and reporting requirements provided for in OMB Circular A-133.

IV. Public Participation Requirements: (50 pts.) Each applicant for NSP3 funds held at least one public hearing prior to submitting the competitive application. The hearings were held at a time and location convenient to the general public and with reasonable accommodations for disabled persons. The public hearing or meeting was conducted by the city, town, county government, or Tribal Council or Tribal Housing Authority that will sponsor the application. Preference will be given to those applicants that demonstrate a commitment to public participation through additional public meetings, workshops, outreach, and the like.

V. Assistance to Low-Income Households at or below 50% Area Median Income: (125 pts.) At least \$1,250,000 of the grant funds administered by Commerce will be used to assist individuals and families with incomes not exceeding 50% of AMI. Each subrecipient is required to use at least 27% of its funding award to assist individuals and families with incomes at or below 50% of area median income.

>For activities that do not benefit individual households, the activity must benefit areas in which at least 5% of the residents have incomes at or below 120% of area median income. Commerce did not accept competitive applications for projects that do not propose to provide at least 27% of the activity grant award to assist to households and individuals with incomes at or below 50% of area median income.

>VI. Readiness to Proceed and Use of Funds: (75 pts.) Subgrantees and/or subrecipients must describe any additional funding that will be leveraged and consider all funding resources and programs available to them, including those available for energy efficiency improvements. Subrecipients must specify the area(s) in which they will expand their activities once they have impacted 20 percent of the projected REOs and have program income they can use for additional activities. All activities or projects proposed must include a budget narrative and line-item budget detailing the cost of the activity(s) and the anticipated outcomes in terms of units assisted, type of housing rehabilitated or redeveloped, the affordability range, units serving households up to 120% AMI or below 50% AMI, and the proposed end use, either for homeownership or for rental.

>General Program Requirements:

>This substantial amendment for final funding is based on the competitive application review as stated above and the applicant's program description demonstrating:

- >• The funding request is part of a comprehensive plan or strategy to stabilize a neighborhood(s) or blocks including efforts to improve living conditions, preserve affordable housing opportunities, stabilize home values, job creation and other economic development needs;
- >• It is feasible to use the requested funding within the required timeframe;
- >• The subrecipient is maximizing opportunities to leverage other private and public resources;
- >• The identified outcomes are achievable;
- >• Activities will benefit low, moderate and middle -income homebuyers and renters with household incomes not exceeding 120 percent of area median income;
- >• 27 percent of total grant funds will benefit low income households with incomes at 50 percent of area median income or below, or areas in which at least 51 percent of the residents have incomes at or below 120 percent area median income;
- >• Subrecipients shall acquire properties at a minimum discount of 1 percent of the appraised value;
- >• All persons purchasing NSP3-assisted homeowner housing must receive at least 8 hours of homebuyer counseling from a HUD-

approved housing counseling agency;

>• Subrecipients using NSP3 funds for demolition must describe short-term and long-term plans for the use of the land. Demolition plans should include a strategy for assembling land for redevelopment and not simply demolition on a case-by-case basis;

>• Subrecipients intending to use NSP3 funds for land banking must describe how the use of the land bank will facilitate housing affordable to the targeted incomes and how it will assist in stabilizing neighborhoods;

>• Land banks must operate in specific, defined geographic areas;

>• Subrecipients must describe any continuing affordability restrictions that they may impose beyond the minimum required in this amendment;

>• Subrecipients will incorporate green/energy efficient elements, access to transit, deconstruction, passive solar design features, etc. in the project activities; and,

>• Commerce encourages the use of non-NSP funds for conventional financing, but will not consider proposals or activities that include:
> o Non-NSP3 or NSP3 Mortgages with balloon payments or variable interest rates; or Foreclosure prevention activities, such as providing NSP3 funds to refinance existing mortgages that currently have a subprime loan, are currently in default, or listed on the County's Notices of Trustees Sales.

NSP 3 Selected Activities

Activity Number 1

>Activity Name Lake County – Charlo - Funded

>Uses Select all that apply:

> Eligible Use A: Financing Mechanisms

>X Eligible Use B: Acquisition and Rehabilitation

> Eligible Use C: Land Banking

>X Eligible Use D: Demolition

> Eligible Use E: Redevelopment

CDBG Activity or Activities: 24 CFR 570.201(a),(b),(i),(n); 24 CFR 570.202; 24 CFR 570.201(d)

>National Objective: Low-Income Housing to Meet 25% Set-Aside (LH25)

>Activity Description: The Charlo Neighborhood Improvement Program will acquire a foreclosed bank owned multifamily property located 208 Second Ave W in Charlo Montana. The current building appraises at \$180,000 but Lake County Community Housing has a buy sell for \$153,000. This building has been vacant for about one year and is deteriorated and partial or complete demolition may be required. Using local contractors, this property will either be demolished and replaced with a small unit or rehabilitated in order to provide a healthy, safe and sanitary rental property that will meet or exceed HQS standards and applicable building codes for addition to the Lake County Community Housing Development Organization's (LCCHDO) rental pool. The applicant will use at least \$162,270 to serve households that are low income to meet the NSP3 set aside requirement. HUD required impact is to stabilize zero foreclosed, abandoned or vacant units that will serve low, moderate, and middle income households, the grantee will be stabilizing 1 property.

>Location Description Charlo Montana

>Budget Source of Funding Dollar Amount

> NSP3 \$ 601,000

> Montana Board of Housing or Bank Loan \$ 60,000

> Total Budget for Activity \$ 661,000

>Performance Measures: 8 to 4 units to assist 8 to 4 households

>Projected Start Date: September 2011

>Projected End Date: December 2012

>Responsible Organization

>Name: Lake County Community Housing

>Location: P.O. Box 146

> Ronan, MT

>Administrator Contact Info: Jan Niemeyer, 406-676-5900, janw@ronan.net

Activity Number 2

>Activity Name Butte-Silver Bow County - Funded

>Uses Select all that apply:

>X Eligible Use A: Financing Mechanisms

>X Eligible Use B: Acquisition and Rehabilitation

> Eligible Use C: Land Banking

>X Eligible Use D: Demolition

>X Eligible Use E: Redevelopment

CDBG Activity or Activities: 24 CFR 570.206; 24 CFR 570.201(a),(b),(i),(n); 24 CFR 570.202; 24 CFR 570.201(d);24 CFR 570.201(a),(b),(c),(i),(n)

>National Objective: Low-Income Housing to Meet 25% Set-Aside (LH25)

>Activity Description: The applicant will acquire, rehabilitate and rent or resell 17 foreclosed, abandoned or vacant and blighted properties that will be sold or rented to low, moderate and middle income households. The applicant will use at least \$580,230 to serve households that are low income to meet the NSP3 set aside requirement. HUD required impact is to stabilize 17 foreclosed, abandoned or vacant properties that will serve low, moderate, and middle income households, the grantee will be stabilizing 17 properties.

>Location Description Butte Montana

>Budget Source of Funding Dollar Amount

> NSP3 \$ 2,149,000

> Other \$ 1,758,904

> Homebuyer Downpayments \$ 159,000

>Total Budget for Activity \$ 4,066,904

>Performance Measures: 17 units to assist 17 households

>Projected Start Date: April 2011

>Projected End Date: February 2014

>Responsible Organization

>Name: Butte-Silver Bow County

>Location: P.O. Box 632

> Butte, MT

>Administrator Contact Info: Barbara Miller, 406-782-8145, bmill@montana.com

Activity Number 3

>Activity Name Lewis & Clark County &ndash Mid Town Residences - Funded

>Uses Select all that apply:

> Eligible Use A: Financing Mechanisms

>X Eligible Use B: Acquisition and Rehabilitation

> Eligible Use C: Land Banking

>X Eligible Use D: Demolition

>X Eligible Use E: Redevelopment

CDBG Activity or Activities: 24 CFR 570.201(a),(b),(c),(i),(n); 24 CFR 570.202; 24 CFR 570.201 (d); 24 CFR 570.201 (a), (b), (c), (e), (i), (n); 24 CFR 570.204

>National Objective: Low-Income Housing to Meet 25% Set-Aside (LH25)

>Activity Description: Rocky Mountain Development Council proposes to acquire the site, demolish and recycle where possible, all existing structures and redevelop the property known as the Caird property bounded by Montana Ave on the west, Lyndale Avenue on the north, Boulder Avenue on the south and Roberts on the east. The first construction phase will be the design and construction of a 14-unit, two-story apartment building and a 16-unit three story apartment building of one and two bedroom senior housing along the northeast edge of the parcel called Mid Town Residences. Subsequent phases will develop another 20-30 units of compatible affordable housing. A portion of the property will be sold for commercial development along the Montana Avenue corridor. The proceeds from the sale of the property will be placed back into Mid Town Residences for funding of subsequent phases. The applicant will use at least \$540,000 to serve households that are low income to meet the NSP3 set aside requirement, but due to serving seniors will most likely serve 100% of low income households. HUD required impact is to stabilize 1 foreclosed, abandoned or vacant property that will serve low, moderate, and middle income households, the grantee will be stabilizing 1 property.

>Location Description Helena Montana

>Budget Source of Funding Dollar Amount

> NSP3 \$ 2,000,000

> HOME \$ 750,000

> BOH LIHTC \$ 4,806,750

> Congressional Appointment \$ 195,000

> Permanent Loan & Other \$ 159,621

>Total Budget for Activity \$ 7,911,371

>Performance Measures: 30 units to assist 30 households

>Projected Start Date: April 2011

>Projected End Date: February 2014

>Responsible Organization

>Name: Rocky Mountain Development Council

>Location: P.O. Box 1717

> Helena, MT

>Administrator Contact Info: Gene Leuwer, 406-447-1680, gleuwer@rmdc.net

Activity Number 4

>Activity Name City of Kalispell &ndash Northwest Community Land Trust &ndash Pending Award

>Uses Select all that apply:

>X Eligible Use A: Financing Mechanisms

>X Eligible Use B: Acquisition and Rehabilitation

> Eligible Use C: Land Banking

> Eligible Use D: Demolition

> Eligible Use E: Redevelopment

CDBG Activity or Activities: 24 CFR 570.206; 24 CFR 570.201(a),(b),(i),(n); 24 CFR 570.202

>National Objective: Low-Income Housing to Meet 25% Set-Aside (LH25)

>Activity Description: The Northwest Montana Community Land Trust (Scattered Sites) plans to provide local neighborhood recovery assistance to the areas affected by the overwhelming rise in foreclosure and property abandonment across Flathead County. A community land trust (CLT) functions to preserve public investment and to recycle and protect affordability. The CLT will acquire, rehabilitate and sell foreclosed properties in a specific targeted area. The CLT will retain ownership of the real property and sell the improvements (home) via a 99-year ground lease to an income eligible homeowner. This arrangement between the owner and the CLT will protect housing affordability in perpetuity by ensuring that the housing is made affordable to low- to moderate income persons upon the sale of, for this purpose, a single-family residential property. The resale price restrictions contained in the ground lease stipulate the resale price formula that provides for a fair return (not a "market" return) on the homeowner's investment. If funded, the applicant will use at least \$405,000 to serve households that are low income to meet the NSP3 set aside requirement. If funded, the HUD required impact is to stabilize 6 foreclosed, abandoned or vacant properties that will serve low, moderate, and middle income households, the grantee will be stabilizing 6 properties.

>Location Description Kalispell Montana

>Budget Source of Funding Dollar Amount

> NSP3 \$ 1,500,000

> Other \$ 57,000

> Ground Lease Fees \$ 9,000

>Total Budget for Activity \$ 2,079,000

>Performance Measures: Potential of 6 units to assist 6 households

>Projected Start Date: April 2011

>Projected End Date: November 2012

>Responsible Organization

>Name: Community Action Partnership of Northwest Montana

>Location: P.O. Box 8300

> Kalispell, MT

>Administrator Contact Info: Marney McCleary, 406-758-5411, mmccleary@kalhrdc.mt.gov

Activity Number 5

>Activity Name Town of Eureka &ndash Pending Award

>Uses Select all that apply:

> Eligible Use A: Financing Mechanisms

>X Eligible Use B: Acquisition and Rehabilitation
> Eligible Use C: Land Banking
> Eligible Use D: Demolition
> Eligible Use E: Redevelopment
CDBG Activity or Activities: 24 CFR 570.201(a),(b),(i),(n); 24 CFR 570.202
>National Objective: Low-Income Housing to Meet 25% Set-Aside (LH25)
>Activity Description: The Town of Eureka, Montana (Town) in partnership with Eureka Rural Development Partners (ERDP), MSU-Lincoln County Extension Office (Extension), and the Tobacco Valley Community Land Trust (TVCLT) plans to purchase and revitalize foreclosed homes on the east side of town to revitalize the neighborhood, provide low to moderate income rental housing on a long-term basis, and build capacity of the local Community Land Trust. With the assistance of the local Glacier Bank branch, ERDP and Extension will develop a series of free community based courses that focus around financial management, being a responsible tenant, and maintaining a healthy home. This project will work on developing in-fill rental housing through the acquisition, rehabilitation and rental of foreclosed properties within the town limits and will target LMI households with a focus toward development of units for Senior Housing. If funded, the applicant will use at least \$239,541 to serve households that are low income to meet the NSP3 set aside requirement. If funded, the HUD required impact is to stabilize one foreclosed, abandoned or vacant properties that will serve low, moderate, and middle income households, the grantee will be stabilizing 6 properties.
>Location Description Eureka Montana
>Budget Source of Funding Dollar Amount
> NSP3 \$ 887,190
> Other \$ 4,000
>Total Budget for Activity \$ 891,190
>Performance Measures: Potential of 6 units to assist 6 households
>Projected Start Date: July 2011
>Projected End Date: February 2013
>Responsible Organization
>Name: Eureka Rural Development Partners
>Location: P.O. Box 1951
> Eureka, MT
>Administrator Contact Info: Tracy McIntyre, 406-297-7374, tracy@eurekardp.net
Activity Number 6
>Activity Name Mineral County &ndash Pending Award
>Uses Select all that apply:
> Eligible Use A: Financing Mechanisms
>X Eligible Use B: Acquisition and Rehabilitation
> Eligible Use C: Land Banking
> Eligible Use D: Demolition
> Eligible Use E: Redevelopment
CDBG Activity or Activities: 24 CFR 570.201(a),(b),(i),(n); 24 CFR 570.202
>National Objective: Low-Income Housing to Meet 25% Set-Aside (LH25)
>Activity Description: The District XI Human Resource Council serves Mineral County, MT. HRC plans to purchase, rehabilitate, and resell foreclosed, abandoned or vacant single family homes to low and moderate homebuyers in the two targeted census tracts in Mineral County. Mineral County's real estate market has suffered in the past few years. There are many foreclosed, and often vacant and abandoned, housing units for sale in the County that are in need of rehabilitation. While private investors were purchasing many of these units, declining values and increased rehabilitation costs due to neglect have made it very difficult for investors to earn a profit reselling units. HRC plans to bring units up to Housing Quality Standards, and make additional Energy Efficiency and E-Star upgrades and improvements, through the NSP program. HRC plans to purchase and rehabilitate at least nine units during the three year program. If funded, the applicant will use at least \$142,020 to serve households that are low income to meet the NSP3 set aside requirement. If funded, the HUD required impact is to stabilize 9 foreclosed, abandoned or vacant properties that will serve low, moderate, and middle income households, the grantee will be stabilizing 9 properties.
>Location Description Superior & St. Regis Montana
>Budget Source of Funding Dollar Amount
> NSP3 \$ 526,000
> Program Income (NSP3) \$ 1,120,000
> HOME DPA \$ 180,361
>Total Budget for Activity \$ 1,826,361
>Performance Measures: Potential of 9 units to assist 9 households
>Projected Start Date: July 2011
>Projected End Date: April 2013
>Responsible Organization
>Name: District XI Human Resource Council
>Location: Missoula, MT
>Administrator Contact Info: Jim Morton, 406-728-3710, jpm@hrcxi.org
Activity Number 7
>Activity Name Anaconda-Deer Lodge County &ndash Pending Award
>Uses Select all that apply:
>X Eligible Use A: Financing Mechanisms
>X Eligible Use B: Acquisition and Rehabilitation
>X Eligible Use C: Land Banking
>X Eligible Use D: Demolition
>X Eligible Use E: Redevelopment
CDBG Activity or Activities: 24 CFR 570.206; 24 CFR 570.201(a),(b),(i),(n); 24 CFR 570.202; 24 CFR 70.201(a),(b); 24 CFR 570.201(d) ; 24 CFR 570.201(a),(b),(c),(i),(n)
>National Objective: Low-Income Housing to Meet 25% Set-Aside (LH25)
>Activity Description: The applicant proposes to continue to partner with homeWORD, a housing non-profit, to utilize NSP3 funds to purchase foreclosed, vacant and abandoned properties in the Anaconda area. The applicant has stated that homeWORD will rehabilitate

and/or demolish properties in order to bring them up to standard and remove blighted structures to improve the housing conditions of the targeted area. homeWORD proposes to continue focus on single-family development, as well as any potential rental property in need of future rehabilitation. If funded, the applicant will use at least \$307,584 to serve households that are low income to meet the NSP3 set aside requirement. If funded, the HUD required impact is to stabilize 7 foreclosed, abandoned or vacant properties that will serve low, moderate, and middle income households, the grantee will be stabilizing 7 properties.

>Location Description Anaconda Montana
>Budget Source of Funding Dollar Amount
> NSP3 \$ 1,139,200
> Other \$ 315,000
> Homeowner Equity \$ 7,000
> Program Income &dash NSP1 & NSP3 \$ 20,000
>Total Budget for Activity \$ 1,481,200
>Performance Measures: Potential of 7 home purchases to assist 7 households
>Projected Start Date: August 2011
>Projected End Date: November 2012
>Responsible Organization
>Name: homeWORD
>Location: 127 N. Higgins Ave Ste. 307
> Missoula, MT
>Administrator Contact Info: Heather McMillin, 406-532-4663, heather@homeword.org

How Fund Use Addresses Market Conditions:

How Fund use addresses Market Conditions

>Awarded projects as outlined in this amendment will provide rehabilitation or construction of housing units in markets that have been impacted by foreclosures, vacancy, abandonment or blight. Competitive applicants were required to submit market studies, and thorough analysis of community needs and factors that have affected local markets. In Montana, the factors affecting our communities were varied and included such factors as: high unemployment, affordability gap- low wages and high cost of housing and decreasing populations in smaller communities which then increases the amount of vacant homes and deteriorating structures.
>The awarded projects will directly affect the markets in the communities by providing much needed rehabilitation to sites now affected by blighted, abandoned, and foreclosed vacant units. The NSP3 funds investing in these communities will provide stabilization and opportunities for safe, habitable and efficient rental units in three locations and homeownership in one location. The selection of projects and local needs were carefully reviewed to ensure the local markets will see an immediate impact in the neighborhoods from the rehabilitated or newly constructed units. The awarded projects will initially meet the HUD targeted impact and will continue to stabilize the area through continued program activities.

Ensuring Continued Affordability:

Ensure Continued Affordability

>Continued Long-Term Affordability &dash Home Ownership

>In order to meet the long-term affordability requirements, Commerce will require NSP3 assisted homeownership to utilize the HOME standards at 92.252 (a), (c), (e), and (f), and 92.254, including:

>&bull The housing must be modest housing;

> o Subrecipients must provide a detailed list of rehabilitation work to Commerce for review and approval prior to work beginning; and,

> o The purchase price/after rehabilitation value cannot exceed 95% of the median purchase price for the area as contained in the Single Family Mortgage Limits under Section 203(b) of the National Housing Act (which can be obtained from HUD or Commerce or Appendix E);
>&bull The housing must serve a household with incomes at equal to or less than 120% of area median income;

>&bull Housing must be the principal residence of the family throughout the period of affordability; and,

>&bull Affordability of owner-occupied housing will be guaranteed by use of a deed restriction recorded against the property. Each subrecipient will design its own recapture or resale provisions, for review and approval by Commerce, which will be applied uniformly within their program.

All homebuyer units assisted with NSP3 funds must include provisions for long-term affordability restrictions meeting the following minimum requirements:

>Subsidy Amount (amount of NSP assistance provided to a homebuyer) Minimum Affordability Period

> Under \$15,000 5 years

> \$15,000 &dash \$40,000 10 years

> Over \$40,000 15 years

> New Construction or Acquisition of Newly

> Constructed Single Family Housing (any \$ amount) 20 years

While these are minimum requirements, the applicant may choose to implement more stringent affordability requirements than the minimum listed here (with review and approval by Commerce) to ensure that the properties remain affordable for as long as possible.

Proceeds from resale where subsidy recapture provision is used can be reinvested in eligible NSP3 activities within the established period of affordability. If the grantee chooses not to use recaptured funds for an eligible NSP3 activity, those funds or proceeds or program income must be returned to the subgrantee or Commerce as outlined in the subrecipients program income plan. Commerce may choose to reinvest those funds or proceeds for eligible NSP3 activities in other areas that were identified as areas of greatest need or return such amounts in accordance with the NSP3 Notice.

Long term affordability - Rents

>Commerce will use the HOME standards at 24 CFR 92.252(a), (c), (e), and (f) to define affordable rents including:

>&bull The maximum rent with the lesser of: (a) the fair market rent for existing housing for comparable units in the area as established by HUD; or (b) a rent that does not exceed 30% of the adjusted income of a family whose annual income equals 65% of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in the unit.

>&bull The maximum monthly allowance for utilities and services will be those used by the local housing authority.

>&bull Units assisted with NSP3 funding must meet the affordability requirements for not less than the applicable period specified in the table below without regard to the term of any loan or mortgage or the transfer of ownership. The affordability requirements will be guaranteed by use of deed restrictions that will be recorded against the property and become part of the public record.

>&bull NSP3-assisted units will carry rent and occupancy restriction requirements listed below:

Subsidy Amount (amount of NSP3 assistance provided for rentals) Minimum Affordability Period

- > Under \$15,000 per rental unit 5 years
- > \$15,000 – \$40,000 per rental unit 10 years
- > Over \$40,000 per rental unit 15 years
- > New Construction or Acquisition of Newly
- > Constructed Rental Housing (any \$ amount) 20 years

Updated rent limits are posted on the HUD website and available to project owners. Rents may be adjusted in accordance with the contract between the subgrantee and the owner. Any increase in rents for assisted units is subject to the provisions of existing leases and the owner must provide tenants of those units at least 30 days prior written notice before implementing any increase in rents.

>Current HUD regulations state that all rental income above the amount needed for operations, maintenance, and reserves is considered program income and must follow established NSP3 guidelines. This provision does not provide for a sliding scale or shared return of those funds. Therefore, Commerce strongly encourages applicants to consider the long term feasibility of assisting rental housing using these funds.

Definition of Blighted Structure:

Definition of Blighted Structure

>Under NSP3, structures must be “blighted” to qualify for demolition (Eligible Activity “D”). The definition of Blighted Structures is:

>Structures that would follow the definition under MCA 7-15-4206 part (a): “Blighted Structure” means a structure that is conducive to ill health, transmission of disease, infant mortality, juvenile delinquency, and crime, that substantially impairs or arrests the sound growth of the city or its environs, that retards the provision of housing accommodations, or that constitutes an economic or social liability or is detrimental or constitutes a menace to the public health, safety, welfare and morals in its present conditions and use by reason of substantial physical dilapidation, deterioration, age, obsolescence, or defective construction, material, and arrangement of buildings or improvements, whether residential or non-residential.

Definition of Affordable Rents:

Definition of Affordable Rents

>Commerce will use the HOME standards at 24 CFR 92.252(a), (c), (e), and (f) to define affordable rents including:

>• The maximum rent with the lesser of: (a) the fair market rent for existing housing for comparable units in the area as established by HUD; or (b) a rent that does not exceed 30% of the adjusted income of a family whose annual income equals 65% of the median income for the area, as determined by HUD, with adjustments for number of bedrooms in the unit.

>• The maximum monthly allowance for utilities and services will be those used by the local housing authority.

>• Units assisted with NSP3 funding must meet the affordability requirements for not less than the applicable period specified in the table below without regard to the term of any loan or mortgage or the transfer of ownership. The affordability requirements will be guaranteed by use of deed restrictions that will be recorded against the property and become part of the public record.

>• NSP3-assisted units will carry rent and occupancy restriction requirements listed below:

Subsidy Amount (amount of NSP3 assistance provided for rentals) Minimum Affordability Period

- > Under \$15,000 per rental unit 5 years
- > \$15,000 – \$40,000 per rental unit 10 years
- > Over \$40,000 per rental unit 15 years
- > New Construction or Acquisition of Newly
- > Constructed Rental Housing (any \$ amount) 20 years

Updated rent limits are posted on the HUD website and available to project owners. Rents may be adjusted in accordance with the contract between the subgrantee and the owner. Any increase in rents for assisted units is subject to the provisions of existing leases and the owner must provide tenants of those units at least 30 days prior written notice before implementing any increase in rents.

>Current HUD regulations state that all rental income above the amount needed for operations, maintenance, and reserves is considered program income and must follow established NSP3 guidelines. This provision does not provide for a sliding scale or shared return of those funds. Therefore, Commerce strongly encourages applicants to consider the long term feasibility of assisting rental housing using these funds.

Housing Rehabilitation/New Construction Standards:

Housing Rehab/New Construction Standards

>NSP3 housing rehabilitation or related redevelopment activities must focus on bringing housing units up to current code standards by addressing structural deficiencies, upgrading electrical systems, plumbing, and roofing, or incorporating energy conservation measures.

>Housing rehabilitated with NSP3 funding must meet all applicable local codes, rehabilitation standards, ordinances, and zoning at the time of project completion. All housing assisted with NSP funds must meet, at a minimum, the Housing Quality Standards in 24 CFR Part 982.401.

>In addition, all gut rehabilitation (i.e., general replacement of the interior or a building that may or may not include changes to structural elements such as flooring systems, columns or load bearing interior or exterior walls) or new construction of residential buildings up to three stories must be designed to meet the standard for Energy Star Qualified New Homes.

>Gut or full rehabilitation or new construction of multifamily housing structures of four or more floors must be designed to meet American Society of Heating, Refrigerating, and Air- Conditioning Engineers (ASHRAE) Standard 90.1-2004, Appendix G plus 20 percent (which is the Energy Star standard for multifamily buildings piloted by the Environmental Protection Agency and the Department of Energy.)

>Other (less than full rehabilitation) rehabilitation must meet these standards to the extent applicable to the rehabilitation work undertaken, e.g. replace older obsolete products and appliances (such as windows, doors, lighting, hot water heaters, furnaces, boilers, air conditioning units, refrigerators, clothes washers and dishwashers) with Energy Star-46 labeled products. Water efficient toilets, showers, and faucets, such as those with the WaterSense label, must be installed.

>Applicants are advised to review Attachment C of the NSP3 Notice found at

<http://www.hud.gov/offices/cpd/communitydevelopment/programs/neighborhoods/pg/5447-N-01NSP3Notice100810.pdf> for additional information on recommended energy efficient and environmentally friendly green elements. Competitive applications should include a narrative that addresses these additional elements. Competitive applicants are encouraged to exceed these standards through the scoring criteria by awarding points for projects that achieve LEED, Green Communities, or National Association of Homebuilders’ National Green Building Standard Certification.

>Rehabilitation improvements must meet or exceed requirements contained in current editions of the HUD Section 8 Housing Quality

Standards (or FHA equivalent standards) and the following most current codes adopted by the Building Codes Bureau of the Montana Department of Labor and Industry (MDLI):

- >? International Building Code,
- >? International Residential Code, (one and two-family dwellings and townhouses up to three stories in height)
- >? International Existing Building Code,
- >? Uniform Plumbing Code,
- >? International Mechanical Code,
- >? International Fuel Gas Code,
- >? National Electrical Code,
- >? International Energy Conservation Code; and
- >? American Society of Engineers, Boiler and Pressure Vessel Code.

>

>Note on Energy Conservation: Communities proposing rehabilitation or new construction of residential housing units should pay particular attention to the most current edition of the International Energy Conservation Code.

>For all areas outside the boundaries of Montana's tribal reservations, permits must be obtained from the MDLI, Building Codes Bureau for all electrical and/or plumbing work (and a licensed plumber or electrician must perform the work). Rehabilitation involves structures with five or more units, or any commercial or public buildings undertaken with NSP funds unless the grant recipient has been certified by the Bureau to enforce the codes cited above. The Building Codes Bureau maintains a listing of Montana counties and incorporated municipalities, certified to enforce building, electrical, mechanical, and plumbing codes. For those structures falling within Montana's tribal reservations, tribal ordinances and related requirements apply.

>Grantees will be responsible for assuring that proper authorities inspect such work. Options to provide code inspection may include interlocal agreements with governments that have existing building departments, arrangements with MDLI's Building Codes Bureau, or by contracting with qualified, private sector persons.

For further information, please contact:

>Building Codes Bureau/Montana Dept of Labor & Industry

>301 South Park, Room 430 -- P.O. Box 200517

>Helena, MT 59620-0517

>Phone: (406) 841-2300

>Website: http://mt.gov/dli/bsd/bc/bs_index.asp

Vicinity Hiring:

Vicinity Hiring

>Vicinity Hiring Program Requirement: As required in the Dodd-Frank Act and the NSP3 Notice, subrecipients shall, to the maximum extent feasible, provide for the hiring of employees who reside in the vicinity or contract with small businesses that are owned and operated by persons residing in the vicinity of projects funded with NSP3. "Vicinity" is defined as each NSP3 target area. If subrecipients are unable to provide hiring or business opportunities to residents in the vicinity of the project, they must encourage employment of Section 3 residents and Section 3 businesses. The following are suggested procedures:

>• Outreach to workforce services, commercial associations, local churches, civic clubs, and other agencies/organizations;

>• Identify business phone numbers, search zip code lists;

>• Develop email distributions or mailers;

>• Utilize employment agencies;

>• Develop documents such as flyers, program sheets, and other general materials that provide additional information to community members; and

>• Citizen participation process

Procedures for Preferences for Affordable Rental Dev.:

Procedures for preference for Affordable Rental development

>Seven competitive applications were submitted to Commerce for review and ranking to awarding NSP 3 funds. Of the three awarded projects, two will provide rental housing opportunities in these communities creating a minimum of 34 assisted households. Projects were ranked and preference given to rental projects if a rental focus was the outcome of the project and could achieve the impact intended for NSP3 funds. This preference will ensure that the completion of the projects providing sustainable rental units with long-term affordable rents to income eligible residents.

Grantee Contact Information:

Grant Contacts

>Jurisdiction & NSP Grantee: State of Montana – Montana Department of Commerce

>Contact Persons :

>Jennifer Olson – Grants Bureau Chief, Community Development Division

>o Email: jeolson@mt.gov

>o Phone: (406) 841-2773

Becky Anseth – NSP Program Manager

>o Email: banseth@mt.gov

>o Phone: (406) 841-2865

Lisa Huff – NSP Program Specialist

>o Email: lhuff@mt.gov

>o Phone: (406) 841-2794

Mailing Address : Department of Commerce – Community Development Division

> 301 South Park Ave; P.O. Box 200523

> Helena, MT 59620-0523

Phone : (406) 841-2770

>Fax : (406) 841-2771

>Email: docnsp@mt.gov

Web Address for NSP Amendment: <http://comdev.mt.gov/NSP/nsp3amendment.mcp>

>Web Address for Action Plan: <http://comdev.mt.gov/Grantsbureau/grantsbureau.mcp>
 >Web Address for Additional Materials: <http://comdev.mt.gov/NSP/default.mcp>

Overall	This Report Period	To Date
Total Projected Budget from All Sources	N/A	\$5,000,000.00
Total CDBG Program Funds Budgeted	N/A	\$5,000,000.00
Program Funds Drawdown	\$0.00	\$0.00
Program Funds Obligated	\$0.00	\$0.00
Program Funds Expended	\$0.00	\$0.00
Match Contributed	\$0.00	\$0.00
Program Income Received	\$0.00	\$0.00
Program Income Drawdown	\$0.00	\$0.00

Progress Toward Required Numeric Targets

Requirement	Required	To Date
Overall Benefit Percentage (Projected)		0.00%
Overall Benefit Percentage (Actual)		0.00%
Minimum Non-Federal Match	\$0.00	\$0.00
Limit on Public Services	\$750,000.00	\$0.00
Limit on Admin/Planning	\$500,000.00	\$0.00
Limit on State Admin	\$0.00	\$0.00

Progress Toward Activity Type Targets

Activity Type	Target	Actual
Administration	\$500,000.00	\$387,500.00

Progress Toward National Objective Targets

National Objective	Target	Actual
NSP Only - LH - 25% Set-Aside	\$1,250,000.00	\$2,742,500.00

Overall Progress Narrative:

Updated as of 6/30/2011

Montana Department of Commerce (Commerce) has an NSP3 Action Plan submitted to and approved by HUD as of July 20, 2011. Commerce NSP staff will begin working with grantees for the three approved NSP3 grantees in the upcoming quarter. These three grantees are:

>Grantee Award Amount

>Lake County

>(acquisition, rehabilitation, and rental of previously foreclosed structure \$ 601,000.00

Butte-Silver Bow County

>(acquisition, rehabilitation, and resale of 17 previously foreclosed, vacant or abandoned properties)

> \$2,149,000.00

Lewis & Clark County

>(acquisition, redevelopment of 30 rental units on previously foreclosed blighted property) \$ 2,000,000.00

State Administration \$ 250,000.00

>Total \$ 5,000,000.00

Commerce has awarded funds to three grantees through a two tiered process. In February 2011, eligible areas submitted 'Intent to Apply' to Commerce with potential projects. These preliminary projects were submitted to HUD on February 28, 2011 in a State of Montana Substantial Amendment to Annual Action Plan. This preliminary action plan was approved by HUD on March 16, 2011, thus starting the timeframes for expenditure of NSP3 funds and project activities.

A second, competitive phase of applications from eligible applicants were submitted to Commerce in May 2011. The resulting project recommendations have been submitted June 30, 2011 to HUD and were approved July 20, 2011.

>Grantees will be attending a Grant Administration workshop in early August and are currently beginning start up activities and have not yet started project activities. NSP anticipates project activities to begin in Fall 2011 after completion of start up items, contracts execution, and environmental clearance is gained.

Project Summary

Project #, Project Title	This Report Period	To Date	
	Program Funds Drawdown	Project Funds Budgeted	Program Funds Drawdown
9999, Restricted Balance	\$0.00	\$0.00	\$0.00
Administration, State of Montana Admin	\$0.00	\$250,000.00	\$0.00
Administration, Sub-Grantee Admin	\$0.00	\$137,500.00	\$0.00
NSP Eligible Use A - Financing Mechanisms, Financing	\$0.00	\$0.00	\$0.00
NSP Eligible Use B - Acquisition/Rehabilitation,	\$0.00	\$3,612,500.00	\$0.00
NSP Eligible Use C - Land Banking, Land Banking	\$0.00	\$0.00	\$0.00
NSP Eligible Use D - Demolition, Demolition	\$0.00	\$39,406.00	\$0.00
NSP Eligible Use E - Redevelopment, Redevelopment	\$0.00	\$960,594.00	\$0.00